

Form 3115 (Rev. 12-2003)

Page 4

**Schedule A — Change in Overall Method of Accounting** (If Schedule A applies, Part I below must be completed.)**Part I Change in Overall Method** (see instructions)

- 1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

- a Income accrued but not received . . . . .
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method . . . . .
- c Expenses accrued but not paid . . . . .
- d Prepaid expenses previously deducted . . . . .
- e Supplies on hand previously deducted and/or not previously reported . . . . .
- f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II . . . . .
- g Other amounts (specify) ▶ . . . . .
- h Net section 481(a) adjustment (Combine lines 1a – 1g.) . . . . .

Amount
\$
\$

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? ☐ Yes ☐ No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

**Part II Change to the Cash Method For Advance Consent Request** (see instructions)

Applicants requesting a change to the cash method must attach the following information:

- 1 A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- 2 An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

**Schedule B — Change in Reporting Advance Payments** (see instructions)

- 1 If the applicant is requesting to defer advance payment for services under Rev. Proc. 71-21, 1971-2 C.B. 549, attach the following information:
- a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services.
- b If any parts or materials are provided, explain whether the obligation to provide parts or materials is incidental (of minor or secondary importance) to an agreement providing for the performance of personal services.
- c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement.
- d A description of the method the applicant will use to determine the amount of income earned each year on service contracts and why that method clearly reflects income earned and related expenses in each year.
- e An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See section 3.11 of Rev. Proc. 71-21.
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information:
- a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items.
- b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities).
- c An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See Regulations section 1.451-5(b)(1).

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**Schedule C — Changes Within the LIFO Inventory Method (see instructions)****Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
  - a Valuing inventory (e.g., unit method or dollar-value method).
  - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, etc.).
  - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
  - d Determining the current year cost of goods in the ending inventory (e.g., most recent purchases, earliest acquisitions during the year, average cost of purchases during the year, etc.).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, specify the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, specify the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, the applicant should identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970 and a statement indicating the indexes, tables, and categories the applicant proposes to use.

**Part II Change in Pooling Inventories**

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
  - a A description of the types of products produced by the applicant. If possible, attach a brochure.
  - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
  - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, the applicant should explain the reasons for the separate facilities, indicate the location of each facility, and provide a description of the products each facility produces.
  - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
  - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
  - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
  - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

**Schedule D — Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)****Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.)**

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. If the applicant is a construction contractor, include a detailed description of its construction activities.
- 2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? ..... ☐ Yes ☐ No
- b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ..... ☐ Yes ☐ No
- If line 2b is "No," attach an explanation.
- c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? ..... ☐ Yes ☐ No
- d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? ..... ☐ Yes ☐ No
- If line 2d is "Yes," explain what cost comparison the applicant will use to determine a contract's completion factor.
- If line 2d is "No," explain what method the applicant is using and the authority for its use.
- 3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? ..... ☐ Yes ☐ No
- b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c Describe the applicant's manufacturing activities, including any required installation of manufactured goods.
- 4 To determine a contract's completion factor using the percentage-of-completion method:
- a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ..... ☐ Yes ☐ No
- b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? ..... ☐ Yes ☐ No
- 5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

**Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.)**

- 1 Attach a description of the inventory goods being changed. see statement 2
- 2 Attach a description of the inventory goods (if any) NOT being changed. see statement 2
- 3 If the applicant is subject to section 263A, is its present inventory valuation method in compliance with section 263A (see instructions)? ..... ☐ Yes ☐ No

**4a Check the appropriate boxes below.****Identification methods:**

Specific identification ..... ☐

FIFO ..... ☒

LIFO ..... ☐

Other (attach explanation) ..... ☐

**Valuation methods:**

Cost ..... ☐

Cost or market, whichever is lower ..... ☒

Retail cost ..... ☐

Retail, lower of cost or market ..... ☐

Other (attach explanation) ..... ☐

Inventory Being Changed		Inventory Not Being Changed
Present method	Proposed method	Present method
X	X	
X	X	
281,104	302,500	

- b Enter the value at the end of the tax year preceding the year of change ..... 281,104 302,500
- 5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
- b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- c Only for applicants requesting an automatic change. Attach the statement required by section 10.01(4) of the Appendix of Rev. Proc. 2002-9 (or its successor).

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1	Direct material	X
2	Direct labor	X
3	Indirect labor	X
4	Officers' compensation (not including selling activities)	
5	Pension and other related costs	
6	Employee benefits	
7	Indirect materials and supplies	X
8	Purchasing costs	X
9	Handling, processing, assembly, and repackaging costs	X
10	Offsite storage and warehousing costs	X
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle	X
12	Depletion	
13	Rent	X
14	Taxes other than state, local, and foreign income taxes	X
15	Insurance	X
16	Utilities	X
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity	X
18	Engineering and design costs (not including section 174 research and experimental expenses)	
19	Rework labor, scrap, and spoilage	
20	Tools and equipment	
21	Quality control and inspection	
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant	
23	Licensing and franchise costs	
24	Capitalizable service costs (including mixed service costs)	
25	Administrative costs (not including any costs of selling or any return on capital)	
26	Research and experimental expenses attributable to long-term contracts	
27	Interest	
28	Other costs (Attach a list of these costs). See statement 3.	X

**Section B — Direct and Indirect Costs Required To Be Allocated** (Check the appropriate boxes in Section B showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.)

- U.S. ratio, or other reasonable allocation method).
- The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the method).
  - The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
  - The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).

must include the following:

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description

#### Section A — Allocation and Capitalization Methods

**Part III Method of Cost Allocation** (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions).)

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Page 8

**Part III Method of Cost Allocation (see instructions) (continued)****Section C — Other Costs Not Required To Be Allocated** (Complete Section C only if the applicant is requesting to change its method for these costs.)

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses .....		
2 Research and experimental expenses not included on line 26 above .....		
3 Bidding expenses not included on line 22 above .....		
4 General and administrative costs not included in Section B above .....		
5 Income taxes .....		
6 Cost of strikes .....		
7 Warranty and product liability costs .....		
8 Section 179 costs .....		
9 On-site storage .....		
10 Depreciation, amortization, and cost recovery allowance not included on line 11 above .....		
11 Other costs (Attach a list of these costs.) .....		

**Schedule E — Change in Depreciation or Amortization (see instructions)**

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

**Note:** See the *List of Automatic Accounting Method Changes* in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? ..... ☐ Yes ☐ No  
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? ..... ☐ Yes ☐ No  
If "Yes," enter the applicable section ► .....
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))? ..... ☐ Yes ☐ No  
If "Yes," state the election made ► .....
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? .... ☐ Yes ☐ No
- c Is the property public utility property? ..... ☐ Yes ☐ No
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods:
  - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
  - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
  - c The facts to support the asset class for the proposed method.
  - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
  - e The useful life, recovery period, or amortization period of the property.
  - f The applicable convention of the property.

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PRIVATE LABEL SOURCING LLC

22-3800350

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FORM 3115, PAGE 2 DETAIL

Line 12a, Description of item being changed  
INVENTORY

Line 12b, Description of present method of item being changed  
FULL ABSORPTION

Line 12c, Description of proposed method of item being changed  
UNIFORM CAPITALIZATION

Line 12d, Description of proposed method of item being changed  
ACCRUAL

STATEMENT 1



PRIVATE LABEL SOURCING LLC

22-3800350

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FORM 3115, PAGE 6 DETAIL

Part II, Line 1, Description of Inventory Goods Being Changed  
ALL

Part II, Line 2, Description of Inventory Goods Not Being Changed  
NONE

STATEMENT 2

PRIVATE LABEL SOURCING LLC

22-3800350

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FORM 3115, PAGE 6 DETAIL

Section B, Line 28, Other Costs Required to be Allocated  
COMPUTER EXPENSE

STATEMENT 3



PRIVATE LABEL SOURCING LLC  
SECTION 263A CALCULATION  
December 31, 2003

I:\639171\2003\263ACA\prvt.xls]Sheet1

SALES FOR YEAR	1,670,000.00	23%
COMMISSION REVENUE	5,656,000.00	77%
TOTAL REVENUE	7,326,000.00	100%

G & A PER FINANCIAL STATEMENT	TOTAL COST	PERCENT	ALL PRODUCTION OF PRODUCTS REVENUE	263 A ALLOCABLE TO INVENTORY
PRODUCTION & DESIGN SALARIES & PAYROLLTXS	1,258,197	50%	629,099	23% 143,406.29
SAMPLE DEVELOPMENT	578,175	70%	404,723	23% 92,258.61
SHIPPING / WAREHOUSING STORAGE	13,037	50%	6,519	23% 1,485.93
SELLING LESS RENT/UTILITIES	421,199	0%	0	23% -
GENERAL AND ADMINISTRATIVE				0%
OFFICE SALARIES & MEMBERS	884,173	10%	88,417	23% 20,155.19
PAYROLL TAXES & BENEFITS	237,724	10%	23,772	23% 5,419.04
INSURANCE EXPENSE	77,902	10%	7,790	23% 1,775.82
DEPRECIATION	93,717	10%	9,372	23% 2,136.33
	0	10%	0	23% -
RENT & UTILITIES	330,317	10%	33,032	23% 7,529.75
	0	10%	0	23% -
REPAIRS & MAINTENANCE	32,787	10%	3,279	23% 747.40
COMPUTER EXPENSE	18,612	10%	1,861	23% 424.27
	0	0%	0	0% -
OFFICE SUPPLIES & EXPENSES	64,400	10%	6,440	0% -
TOTAL	4,010,240		1,214,303	275,339

\$

263A PERCENT

263A COSTS	275,339	24.72%	ENDING INV	198,842	49,161
PURCHASE PER BOOKS	1,113,676				

PER BOOKS

PURCHASES	905,570
OTHER COSTS	208,106
TOTAL PURCHASES PER BOOK	1,113,676

PRIVATE LABEL SOURCING LLC  
SECTION 263A CALCULATION  
December 31, 2002

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SALES FOR YEAR	20,702,855.00	75%
COMMISSION REVENUE	6,866,666.00	25%
TOTAL REVENUE	27,569,521.00	100%

G & A PER FINANCIAL STATEMENT	TOTAL COST	PERCENT	ALL PRODUCTION OF PRODUCTS REVENUE	263 A ALLOCABLE TO INVENTORY
PRODUCTION & DESIGN SALARIES & PAYROLLTXS	1,090,896	50%	545,448	75% 409,595.24
SAMPLE DEVELOPMENT	1,087,278	70%	761,095	75% 571,531.51
SHIPPING / WAREHOUSING STORAGE	0 248,915	50%	124,458	75% 93,459.32
SELLING LESS RENT/UTILITIES	728,975	0%	0	75% -
GENERAL AND ADMINISTRATIVE				0%
OFFICE SALARIES & MEMBERS	0 1,256,772	10%	125,677	75% 94,375.23
PAYROLL TAXES & BENEFITS	177,090	10%	17,709	75% 13,298.28
INSURANCE EXPENSE	81,564	10%	8,156	75% 6,124.91
DEPRECIATION	317,225	10%	31,723	75% 23,821.49
	0	10%	0	75% -
RENT & UTILITIES	364,000	10%	36,400	75% 27,333.98
	0	10%	0	75% -
REPAIRS & MAINTENANCE	25,743	10%	2,574	75% 1,933.13
COMPUTER EXPENSE	24,786	10%	2,479	75% 1,861.26
	0	0%	0	0% -
OFFICE SUPPLIES & EXPENSES	60,830	10%	6,083	0% -
TOTAL	5,464,074		1,661,601	0% 1,243,334

\$

263A PERCENT

263A COSTS	1,243,334	7.61%	ENDING INV	281,104	21,396
PURCHASE PER BOOKS	16,335,091				

PER BOOKS

COST OF GOOD AVAIL	16,668,653
LESS: BEG INV	333,562
TOTAL PURCHASES PER BOOK	16,335,091

**SCHEDULE K-1  
(Form 1065)**Department of the Treasury  
Internal Revenue Service**Partner's Share of Income, Credits, Deductions, etc.**

For calendar year 2003 or tax year

OMB No. 1545-0099

**2003**

beginning and ending

Partner's identifying number **142-70-5012** Partnership's identifying number **22-3800350**

Partner's name, address, and ZIP code Partnership's name, address, and ZIP code

**CHRISTINE DENTE**  
**935 SEDGEWICK COURT**  
**WESTFIELD, NJ 07090**

**PRIVATE LABEL SOURCING, LLC**  
**470 BROOME STREET**  
**NEW YORK, NY 10013**

A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company member

B What type of entity is this partner? **INDIVIDUAL**

C Is this partner a ☒ domestic or a ☐ foreign partner?

D Enter partner's percentage of:  
 (i) Before change or termination (ii) End of year

Profit sharing ..... % **50.00000000%**  
 Loss sharing ..... % **50.00000000%**  
 Ownership of capital ..... % **49.18890000%**

E IRS Center where partnership filed return: **CINCINNATI, OH**

F Partner's share of liabilities:

Nonrecourse ..... \$ **876,101.**

Qualified nonrecourse financing ..... \$ **0.**

Other ..... \$ **0.**

G Tax shelter registration number

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐

I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
<b>567,694.</b>	<b>125,000.</b>	<b>475,670.</b>	<b>1,289,176.</b>	<b>&lt;120,812.&gt;</b>

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	<b>370,460.</b>	See page 6 of Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities		
	3 Net income (loss) from other rental activities		
	4 Portfolio income (loss):		Form 1040, line 8a Form 1040, line 9b Form 1040, line 9a Sch. E, Part I, line 4 Sch. D, line 5, col. (g) Sch. D, line 5, col. (f) Sch. D, line 12, col. (g) Sch. D, line 12, col. (f)
	a Interest income	<b>1,653.</b>	
	b (1) Qualified dividends		
	(2) Total ordinary dividends		
	c Royalty income		
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)		
	(2) Net short-term capital gain (loss) (entire year)		
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)		
	(2) Net long-term capital gain (loss) (entire year)		
	f Other portfolio income (loss) (attach schedule)		
	5 Guaranteed payments to partner		See pages 6 and 7 of Partner's Instructions for Schedule K-1 (Form 1065).
	6 a Net section 1231 gain (loss) (post-May 5, 2003)		
	b Net section 1231 gain (loss) (entire year)		
Deductions	7 Other income (loss) (attach schedule)		Sch. A, line 15 or 16
	8 Charitable contributions (attach schedule) <b>SEE STATEMENT</b>	<b>11,000.</b>	
	9 Section 179 expense deduction	<b>10,551.</b>	
	10 Deductions related to portfolio income (attach schedule)		
Credits	11 Other deductions (attach schedule)		See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	12 a Low-income housing credit: (1) From section 42(j)(5) partnerships		
	(2) Other than on line 12a(1)		
	b Qualified rehabilitation expenditures related to rental real estate activities		Form 8586, line 5
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities		
	d Credits related to other rental activities		
	13 Other credits		

JWA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2003

311151  
01-07-04

10540902 797696 223800350

2003.06020 PRIVATE LABEL SOURCING, LLC 22380031

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6512

Page 2

## Schedule K-1 (Form 1065) 2003

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14 a Interest expense on investment debts	14a	Form 4952, line 1 See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1) 1,653.	
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15 a Net earnings (loss) from self-employment	15a 370,460.	Sch. SE, Section A or B See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c 2,826,405.	
Adjustments and Tax Preference Items	16 a Depreciation adjustment on property placed in service after 1986	16a <684.	See pages 9 and 10 of Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16(d)1	
	(2) Deductions allocable to oil, gas, and geothermal properties	16(d)2	
	e Other adjustments and tax preference items (attach schedule)	16e	
Foreign Taxes	17 a Name of foreign country or U.S. possession		Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
Foreign Taxes	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive	17f(1)	
	(2) Listed categories (attach schedule)	17f(2)	
	(3) General limitation	17f(3)	
Foreign Taxes	g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II Form 1116, line 12
	h Reduction in taxes available for credit (attach schedule)	17h	
Other	18 Section 59(e)(2) expenditures: a Type		See page 10 of Partner's Instructions for Schedule K-1 (Form 1065). Form 1040, line 8b
	b Amount	18b	
	19 Tax-exempt interest income	19	
	20 Other tax-exempt income	20	
	21 Nondeductible expenses	21 SEE STATEMENT 24,496.	See page 10 of Partner's Instructions for Schedule K-1 (Form 1065).
	22 Distributions of money (cash and marketable securities)	22 1,289,176.	
	23 Distributions of property other than money	23	
	24 Recapture of low-income housing credit:		
a From section 42(j)(5) partnerships	24a	Form 8611, line 8	
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

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01-07-04 JWA

Schedule K-1 (Form 1065) 2003

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10540902 797696 223800350

2003.06020 PRIVATE LABEL SOURCING, LLC 22380031

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10540902 797696 223800350  
 2003.06020 PRIVATE LABEL SOURCING, LLC 22380031  
 Partner Number 1  
 14

22-3800350	PRIVATE LABEL SOURCING, LLC	<hr/>		SCHEDULE K-1	CHARITABLE CONTRIBUTIONS	<hr/>	
DESCRIPTION	AMOUNT	<hr/>		PARTNER INSTRUCTIONS	CHARITABLE CONTRIBUTIONS -	<hr/>	
		<hr/>			SUBJECT TO 50 PERCENT LIMIT	<hr/>	
	11,000.	<hr/>		APPLICABLE LINE OF RETURN	TOTAL TO SCHEDULE K-1, LINE 8	<hr/>	
	11,000.	<hr/>			TOTAL TO SCHEDULE K-1, LINE 21	<hr/>	
	24,496.	<hr/>			EXCLUDED MEALS AND ENTERTAINMENT	<hr/>	
	24,496.	<hr/>		NONDEDUCTIBLE PORTION	TOTAL TO SCHEDULE K-1, LINE 21	<hr/>	
	24,496.	<hr/>		PARTNER INSTRUCTIONS	EXCLUDED MEALS AND ENTERTAINMENT	<hr/>	
	24,496.	<hr/>		NONDEDUCTIBLE PORTION	TOTAL TO SCHEDULE K-1, LINE 21	<hr/>	
	24,496.	<hr/>			EXCLUDED MEALS AND ENTERTAINMENT	<hr/>	
	24,496.	<hr/>		NONDEDUCTIBLE PORTION	TOTAL TO SCHEDULE K-1, LINE 21	<hr/>	

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**SCHEDULE K-1  
(Form 1065)**Department of the Treasury  
Internal Revenue Service**Partner's Share of Income, Credits, Deductions, etc.**

For calendar year 2003 or tax year

OMB No. 1545-0099

**2003**

beginning and ending

Partner's identifying number ▶ 074-74-5839 Partnership's identifying number ▶ 22-3800350

Partner's name, address, and ZIP code Partnership's name, address, and ZIP code

BRUCE ALLEN  
120 WAYNE STREET  
JERSEY CITY, NJ 07302PRIVATE LABEL SOURCING, LLC  
470 BROOME STREET  
NEW YORK, NY 10013A This partner is a ☐ general partner ☐ limited partner  
☒ limited liability company memberB What type of entity is this partner? ▶ **INDIVIDUAL**C Is this partner a ☒ domestic or a ☐ foreign partner?D Enter partner's percentage of:  
(i) Before change or termination (ii) End of year

Profit sharing ..... % 50.0000000%

Loss sharing ..... % 50.0000000%

Ownership of capital ..... % 50.8111000%

E IRS Center where partnership filed return: CINCINNATI, OH

F Partner's share of liabilities:

Nonrecourse ..... \$ 876,100.

Qualified nonrecourse financing ..... \$ 0.

Other ..... \$ 0.

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
586,416.	230,000.	475,672.	1,289,176.	2,912.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1 370,459.	See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest income	4a 1,652.	Form 1040, line 8a
	b (1) Qualified dividends	4b(1)	Form 1040, line 9b
	(2) Total ordinary dividends	4b(2)	Form 1040, line 9a
	c Royalty income	4c	Sch. E, Part I, line 4
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)	Sch. D, line 5, col. (g)
	(2) Net short-term capital gain (loss) (entire year)	4d(2)	Sch. D, line 5, col. (f)
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)	Sch. D, line 12, col. (g)
	(2) Net long-term capital gain (loss) (entire year)	4e(2)	Sch. D, line 12, col. (f)
	f Other portfolio income (loss) (attach schedule)	4f	
Deductions	5 Guaranteed payments to partner	5	See pages 6 and 7 of Partner's Instructions for Schedule K-1 (Form 1065).
	6a Net section 1231 gain (loss) (post-May 5, 2003)	6a	
	b Net section 1231 gain (loss) (entire year)	6b	
	7 Other income (loss) (attach schedule)	7	
	8 Charitable contributions (attach schedule) SEE STATEMENT	8 11,000.	Sch. A, line 15 or 16
Credits	9 Section 179 expense deduction	9 10,550.	See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	10 Deductions related to portfolio income (attach schedule)	10	
	11 Other deductions (attach schedule)	11	
	12a Low-income housing credit: (1) From section 42(j)(5) partnerships	12a(1)	Form 8586, line 5
	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	

JWA For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2003

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01-07-04

10540902 797696 223800350

2003.06020 PRIVATE LABEL SOURCING, LLC 22380031

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Schedule K-1 (Form 1065) 2003

Page 2

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14 a Interest expense on investment debts ..... 14a		Form 4952, line 1 See page 9 of Partner's instructions for Schedule K-1 (Form 1065).
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f ..... 14b(1)	1,652.	
	(2) Investment expenses included on line 10 ..... 14b(2)		
Self-employment	15 a Net earnings (loss) from self-employment ..... 15a	370,459.	Sch. SE, Section A or B See page 9 of Partner's instructions for Schedule K-1 (Form 1065).
	b Gross farming or fishing income ..... 15b		
	c Gross nonfarm income ..... 15c	2,826,404.	
Adjustments and Tax Preference Items	16 a Depreciation adjustment on property placed in service after 1986 ..... 16a	<683.	See pages 9 and 10 of Partner's instructions for Schedule K-1 (Form 1065) and instructions for Form 6251.
	b Adjusted gain or loss ..... 16b		
	c Depletion (other than oil and gas) ..... 16c		
	d (1) Gross income from oil, gas, and geothermal properties ..... 16(d)1		
	(2) Deductions allocable to oil, gas, and geothermal properties ..... 16(d)2		
	e Other adjustments and tax preference items (attach schedule) ..... 16e		
Foreign Taxes	17 a Name of foreign country or U.S. possession ▶ ..... 17a		Form 1116, Part I
	b Gross income from all sources ..... 17b		
	c Gross income sourced at partner level ..... 17c		
	d Foreign gross income sourced at partnership level:		
	(1) Passive ..... 17d(1)		
	(2) Listed categories (attach schedule) ..... 17d(2)		
	(3) General limitation ..... 17d(3)		
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense ..... 17e(1)		
	(2) Other ..... 17e(2)		
	f Deductions allocated and apportioned at partnership level to foreign source income:		
	(1) Passive ..... 17f(1)		
	(2) Listed categories (attach schedule) ..... 17f(2)		
(3) General limitation ..... 17f(3)			
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued ..... 17g		Form 1116, Part II Form 1116, line 12	
h Reduction in taxes available for credit (attach schedule) ..... 17h			
Other	18 Section 59(e)(2) expenditures: a Type ▶ ..... 18a		See page 10 of Partner's instructions for Schedule K-1 (Form 1065). Form 1040, line 8b
	b Amount ..... 18b		
	19 Tax-exempt interest income ..... 19		
	20 Other tax-exempt income ..... 20		
	21 Nondeductible expenses SEE STATEMENT ..... 21	24,495.	See page 10 of Partner's instructions for Schedule K-1 (Form 1065).
	22 Distributions of money (cash and marketable securities) ..... 22	1,289,176.	
	23 Distributions of property other than money ..... 23		
	24 Recapture of low-income housing credit:		
a From section 42(j)(5) partnerships ..... 24a		Form 8611, line 8	
b Other than on line 24a ..... 24b			
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		

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01-07-04 JWA

Schedule K-1 (Form 1065) 2003

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2003.06020 PRIVATE LABEL SOURCING, LLC 22380031



PRIVATE LABEL SOURCING, LLC

22-3800350

## SCHEDULE K-1

## CHARITABLE CONTRIBUTIONS

DESCRIPTION	AMOUNT	PARTNER INSTRUCTIONS
CHARITABLE CONTRIBUTIONS - SUBJECT TO 50 PERCENT LIMIT	11,000.	ENTER ON SCH A (1040 FILERS) OR APPLICABLE LINE OF RETURN
TOTAL TO SCHEDULE K-1, LINE 8	11,000.	

## SCHEDULE K-1

## NONDEDUCTIBLE EXPENSES

DESCRIPTION	AMOUNT	PARTNER INSTRUCTIONS
EXCLUDED MEALS AND ENTERTAINMENT EXPENSES	24,495.	NONDEDUCTIBLE PORTION
TOTAL TO SCHEDULE K-1, LINE 21	24,495.	

Form **3115**  
(Rev. December 2003)  
Department of the Treasury  
Internal Revenue Service

# Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions) <b>22-3800350</b>	
Principal business activity code number (see instructions) <b>424300</b>		Tax year of change begins (MM/DD/YYYY) <b>01/01/03</b>	
Tax year of change ends (MM/DD/YYYY) <b>12/31/03</b>		Name of contact person (see instructions) <b>CHARLES SOCKETT</b>	
Number, street, and room or suite no. If a P.O. box, see the instructions. <b>470 BROOME STREET</b>		Contact person's telephone number <b>212-790-5759</b>	
City or town, state, and ZIP code <b>NEW YORK, NY 10013</b>			
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)			

If the applicant is a member of a consolidated group, check this box ☐

If Form 2848, Power of Attorney and Declaration of Representative, is attached, check this box ☒

Check the box to indicate the applicant.

- |  |  |
|--|--|
| <input type="checkbox"/> Individual  | <input type="checkbox"/> Cooperative (Sec. 1381)     |
| <input type="checkbox"/> Corporation   | <input checked="" type="checkbox"/> Partnership      |
| <input type="checkbox"/> Controlled foreign corporation (Sec. 957)               | <input type="checkbox"/> S corporation               |
| <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E))                   | <input type="checkbox"/> Insurance co. (Sec. 816(a)) |
| <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) | <input type="checkbox"/> Insurance co. (Sec. 831)    |
| <input type="checkbox"/> Exempt organization. Enter Code section ▶               | <input type="checkbox"/> Other (specify) ▶           |

Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)

- ☐ Depreciation or Amortization
- ☐ Financial Products and/or Financial Activities of Financial Institutions
- ☒ Other (specify) ▶ **INVENTORY**

**Caution:** The applicant must provide the requested information to be eligible for approval of the requested accounting method change. The applicant may be required to provide information specific to the accounting method change such as an attached statement. The applicant must provide all information relevant to the requested accounting method change, even if not specifically requested by the Form 3115.

## Part I Information For Automatic Change Request

	Yes	No
1 Enter the requested designated accounting method change number from the List of Automatic Accounting Method Changes (see instructions). Enter only one method change number, except as provided for in the instructions. If the requested change is not included in that list, check "Other," and provide a description. ▶ (a) Change No. <b>22</b> (b) Other <input type="checkbox"/> Description ▶		
2 Is the accounting method change being requested one for which the scope limitations of section 4.02 of Rev. Proc. 2002-9 (or its successor) do not apply? . . . . . If "Yes," go to Part II.		<b>X</b>
3 Is the tax year of change the final tax year of a trade or business for which the taxpayer would be required to take the entire amount of the section 481(a) adjustment into account in computing taxable income? . . . . . If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		<b>X</b>

**Note:** Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

## Part II Information For All Requests

	Yes	No
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? . . . . . If you answered "No," go to line 5.		
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)? . . . . .		

**Signature (see instructions)**

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

Signature and date

Signature of individual preparing the application and date

Name and title (print or type)

**CHARLES SOCKETT**

Name of individual preparing the application (print or type)

**MAHONEY COHEN & COMPANY, CPA, P.C.**

Name of firm preparing the application

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Form **3115** (Rev. 12-2003)

Form 3115 (Rev. 12-2003)

Page 2

**Part II Information For All Requests (continued)**

- |  | Yes | No |
|--|-----|----|
| 4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?  |     | X  |
| d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)?   |     | X  |
| If "Yes," attach the consent statement from the director.  |     | X  |
| e Is the request to change the method of accounting being filed under the 90-day or 120-day window period?   |     | X  |
| If "Yes," check the box for the applicable window period and attach the required statement (see instructions).   |     |    |
| <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day   |     |    |
| f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination.  |     |    |
| Name <input type="text"/> Telephone number <input type="text"/> Tax year(s) <input type="text"/>   |     |    |
| g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?   |     |    |
| 5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court?   |     | X  |
| If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, and the tax year(s) before Appeals and/or a Federal court.  |     |    |
| Name <input type="text"/> Telephone number <input type="text"/> Tax year(s) <input type="text"/>   |     |    |
| b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?   |     |    |
| c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member)?  |     | X  |
| If "Yes," attach an explanation.   |     |    |
| 6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, provide each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.   |     |    |
| 7 If the applicant is an entity (including a limited liability company) treated as a partnership or S corporation for Federal income tax purposes, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? |     | X  |
| If "Yes," the applicant is not eligible to make the change.  |     |    |
| 8 Is the applicant making a change to which audit protection does not apply (see instructions)?  |     | X  |
| 9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in accounting method within the past 5 years (including the year of the requested change)?  |     | X  |
| b If "Yes," attach a description of each change and the year of change for each separate trade or business and whether consent was obtained.   |     |    |
| c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement was sent to the taxpayer but was not signed and returned to the IRS, or if the change was not made or not made in the requested year of change, include an explanation.  |     |    |
| 10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in accounting method, or technical advice?   |     | X  |
| b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in accounting method, or technical advice), and the specific issue(s) in the request(s).   |     |    |
| 11 Is the applicant requesting to change its overall method of accounting?   |     | X  |
| If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of the form.   |     |    |
| Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)  |     |    |
| Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)   |     |    |
| 12 If the applicant is not changing its overall method of accounting, attach a detailed and complete description for each of the following:  |     |    |
| a The item(s) being changed. SEE STATEMENT 1   |     |    |
| b The applicant's present method for the item(s) being changed. SEE STATEMENT 1  |     |    |
| c The applicant's proposed method for the item(s) being changed. SEE STATEMENT 1   |     |    |
| d The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT 1   |     |    |

Form 3115 (Rev. 12-2003)

Page 3

**Part II Information For All Requests (continued)**

	Yes	No
13 Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application.		
14 Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions. If "No," attach an explanation.		X
15a Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		X
b If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.		
16 Does the applicant request a conference of right with the IRS National Office if the IRS proposes an adverse response?	X	
17 If the applicant is changing to or from the cash method or changing its method of accounting under sections 263A, 448, 460, or 471, enter the gross receipts of the 3 tax years preceding the year of change.		
1st preceding year ended: mo. 12 yr. 2002	2nd preceding year ended: mo. 12 yr. 2001	3rd preceding year ended: mo. 12 yr. 2000
\$ 19,480,609	\$ 1,007,923	\$

**Part III Information For Advance Consent Request**

	Yes	No
18 Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.		
19 Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. The applicant should include a discussion of any authorities that may be contrary to its use of the proposed method.		
20 Attach a copy of all documents related to the proposed change (see instructions).		
21 Attach a statement of the applicant's reasons for the proposed change.		
22 If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.		
23a Enter the amount of user fee attached to this application (see instructions). ► \$		
b If the applicant qualifies for a reduced user fee, attach the necessary information or certification required by Rev. Proc. 2003-1 (or its successor) (see instructions).		

**Part IV Section 481(a) Adjustment**

	Yes	No
24 Do the procedures for the accounting method change being requested require the use of the cut-off method? If "Yes," do not complete lines 25, 26, and 27 below.		X
25 Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► \$ 21,396 Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant.		
26 If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?		X
27 Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		X

Form 3115 (Rev. 12-2003)



Form 3115 (Rev. 12-2003)

Page 4

**Schedule A — Change in Overall Method of Accounting** (If Schedule A applies, Part I below must be completed.)**Part I Change in Overall Method** (see instructions)

- 1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

- a Income accrued but not received . . . . .
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method . . . . .
- c Expenses accrued but not paid . . . . .
- d Prepaid expenses previously deducted . . . . .
- e Supplies on hand previously deducted and/or not previously reported . . . . .
- f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II . . . . .
- g Other amounts (specify) ▶ . . . . .
- h **Net section 481(a) adjustment** (Combine lines 1a – 1g.) . . . . .

Amount
\$
\$

- 2 Is the applicant also requesting the recurring item exception under section 481(h)(3)? ☐ Yes ☐ No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

**Part II Change to the Cash Method For Advance Consent Request** (see instructions)

Applicants requesting a change to the cash method must attach the following information:

- 1 A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- 2 An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

**Schedule B — Change in Reporting Advance Payments** (see instructions)

- 1 If the applicant is requesting to defer advance payment for services under Rev. Proc. 71-21, 1971-2 C.B. 549, attach the following information:
- a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services.
- b If any parts or materials are provided, explain whether the obligation to provide parts or materials is incidental (of minor or secondary importance) to an agreement providing for the performance of personal services.
- c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement.
- d A description of the method the applicant will use to determine the amount of income earned each year on service contracts and why that method clearly reflects income earned and related expenses in each year.
- e An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See section 3.11 of Rev. Proc. 71-21.
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information:
- a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items.
- b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities).
- c An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See Regulations section 1.451-5(b)(1).

Form 3115 (Rev. 12-2003)